



WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Monday, 14 February 2022 at 11:00

**To be held at Fire Service HQ and digitally via
Microsoft Teams**

Distribution of Councillors	
<u>Birmingham</u>	D Barrie Z Iqbal M Locke S Spence
<u>Coventry</u>	C Miks S Walsh
<u>Dudley</u>	N Barlow P Miller
<u>Sandwell</u>	C Padda K Singh
<u>Solihull</u>	P Hogarth MBE
<u>Walsall</u>	K Ferguson A Young
<u>Wolverhampton</u>	G Brackenridge J Dehar
<u>Police & Crime Commissioner</u>	S Foster
<u>Representative - Assistant PCC</u>	Wasim Ali
<u>Co-opted Members</u>	Professor S Brake Sarah Middleton ABCA
<u>Independent Member</u>	Mr M Ager
<u>Observers</u>	M Carter, UNISON
	R Merker, Fire Officer's Association
	S Price-Hunt, Fire Brigades Union

Please note: Meetings of the political groups will be held at 10.00 am.

Fire Authority

You are summoned to attend the meeting of Fire Authority to be held on
Monday, 14 February 2022 at 11:00

At Fire Service Headquarters, 99 Vauxhall Road, Nechells,
Birmingham B7 4HW

and digitally via Microsoft Teams

for the purpose of transacting the following business:

Agenda – Public Session

- 1 **To receive apologies for absence (if any)**
- 2 **Declarations of interests**
- 3 **Chair's announcements**
- 4 **Chief Fire Officer Announcements**
- 5 **Minutes of the Fire and Rescue Authority 13 December 2021** 1 - 8
- 6 **3 Year Rolling Strategy 2022-25 and Annual Plan** 9 - 26
- 7 **Monitoring of Finances** 27 - 34
- 8 **Budget and Precept 2022-2023 and Budget Forecast 2023-2024 to 2024-2025** 35 - 88
- 9 **Exclusion of the public and press**
Chair to move:- "That the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 for the reasons stated below."

Agenda (not open to public and press)

10 Planned Procurement Exercises for 2022-23

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Agenda prepared by Kirsty Tuffin

Strategic Hub, West Midlands Fire Service

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This agenda and supporting documents are also available electronically on the [West Midlands Fire Service Committee Management Information System](#)

This meeting of the West Midlands Fire and Rescue Authority will be held at Fire Service Headquarters. However, please note that although the meeting will be open to the public, there will be limited capacity due to ongoing social distancing measures.

The meeting will also be held digitally via Microsoft Teams allowing observers to access remotely. To access the meeting, please contact a member of the Strategic Hub, West Midlands Fire Service, who will be able to provide login details (please note that Microsoft Teams is not required to join a meeting) or provide guidance if you wish to attend in person at HQ.

Clerk Name:	Karen Gowreesunker
Clerk Telephone:	0121 380 6678
Clerk Email:	Karen.Gowreesunker@wmfs.net

West Midlands Fire and Rescue Authority

13 December 2021 at 1100 hours

Conducted as a public meeting at Headquarters and digitally via
Microsoft Teams

Present: Councillor Brackenridge (Chair),

Councillor Iqbal (Vice Chair),

Councillor Barlow, Councillor Hogarth, Councillor Locke,
Councillor Padda and Councillor Young.

Virtual: Councillor Barrie, Councillor Dehar, Councillor Ferguson,
Councillor Miks, Councillor Miller, Councillor Singh and
Councillor Spence

Professor S Brake, co-opted member – health

Mike Ager – Independent Member (Audit and Risk)

Steve Price Hunt (Fire Brigade's Union), Richard Merker
(Fire Officers Association)

50/21 Apologies for Absence

Apologies were received from Councillor Walsh, Gary Taylor,
Steve Ball and Neil Chamberlain.

51/21 Declarations of Interest

The Chair declared a personal non-pecuniary interest due to being a member of the Firefighters Pension Scheme(s). Councillor Iqbal, Professor Simon Brake, and Councillor Barlow declared a personal non-pecuniary interest as they were in receipt of state pension from the Government. Councillor Hogarth declared a personal non-pecuniary interest due to being in receipt of a pension from Solihull Council.

52/21 Chairs Announcements

The Chair welcomed all attendees to the meeting of the full Fire Authority.

The Chair wished to congratulate Deputy Chief Fire Officer Wayne Brown who had been awarded the Most Influential BAME Individual in Fire for his outstanding contribution to diversity and equality in the Fire and Rescue Service over the last two years. Congratulation was also given to Kris Darnley and Darryll Darkin on receiving Certificates of Merit at the Asian Fire Service Association (AFSA) awards. The Authority were advised that it had been a great achievement for the service to be nominated for the COVID-19 "going the extra mile" award, alongside so many other fantastic nominees. Congratulations was given to all of the nominees who joined DCFO Wayne Brown and Councillor Kirat Singh at the event.

The Asian Fire Service Association had circulated a letter to both the Chair of the Authority and the Chief Fire Officer (CFO) to formally pass on their recognition and thanks to Assistant Chief Fire Officer, Sarah Warnes who would be retiring at the end 2021, for her contribution to diversity, inclusion, cohesion, and equality. She had been an instrument in driving the DICE agenda within the Service but also nationally.

Following round one of the HMICFRS Inspections that took place throughout 2018-2019. Sector feedback had been positive with the effectiveness of fire safety policy and procedures and the promotion of values and ethics were highlighted. Our inspection (as part of round 2 tranche 3) would commence from January 2022, with the 6-week inspection scheduled to start from the 21st of March 2022. The inspection would continue to focus on the three pillars of: effectiveness, efficiency and people.

Following national changes announced by the Government last week, West Midlands Fire Authority (WMFRA) would continue to use a hybrid approach to meetings and committee's where this is a decision-making forum. Policy Planning Forum (PPF) and the Joint Consultative Panel (JCP) would continue to take place digitally as

these were not decision-making forums. A review would take place every 30 days.

COVID risk Assessments remained for FRA meetings and any changes to these would be considered aligned to national changes in government guidance/mandates. The Authority were reminded of the importance to regularly take Lateral Flow Tests and for hands, face, and space be observed as much as possible.

53/21 Chief Fire Officer's Announcements

The CFO welcomed all attendees to the meeting.

The CFO thanked Sarah Warnes on behalf of the service and the Strategic Enabling Team for all the hard work and dedication. The letter of recognition from the Asian Fire Service Association had been one of the many ways in which Sarah had moved the service forward. Congratulations was given to Simon Barry who would be temporarily overseeing the Assistant Chief Fire Officer role for a term of 6 months.

The Excellence in Fire and Emergency Services awards had taken place and the Chief had been proud to see the Deputy Chief Fire Officer Wayne Brown be awarded the Most Influential BAME Individual in Fire. Praise was given as the West Midlands Fire Service (WMFS) had been the most nominated service throughout the country. WMFS had also been ranked in the top 10 of the top 50 inclusive employees' awards that made the WMFS the top 2 ranked Fire Service in the country for inclusivity.

The Authority were advised that following the government announcement, WMFS had resorted back to its previous guidance around working from home where possible. For those that would find this difficult both mentally and for personal reasons would be provided support to access the best options for them and alternative measures could be put in place. Although, this guidance had been implemented, the service would continue to assess the situation against its 3 domains to ensure that there would be a resilience in resources.

Following farewell messages from Members, Sarah Warnes thanked everyone for their kind words and advised that it had been a privilege

and honour to work for WMFS. The People programme would now be in the capable hands of Simon Barry moving forward and wished him all the best in moving forward with the 'people' agenda.

The Chair advised the Authority that site visits to stations for Councillors would be postponed ensuring the health and safety of those on site and Members.

54/21 Minutes of the Fire and Rescue Authority 04 October 2021

Resolved:

1. That the minutes of the Fire Authority meeting held on 04 October 2021 be confirmed as a correct record.

55/21 Statement of Assurance 2020-21

Karen Gowreesunker, Clerk to the Authority, provided an overview of the Statement of Assurance 2020-21 report that outlined the revised statement of Assurance for 2020-21, as per appendix 1.

The Authority were advised that it had been a legal requirement under The Fire and Rescue National Framework for England published in May 2018 for Fire and Rescue Authorities to review and publish a 'Statement of Assurance' on an annual basis. The Statement of Assurance had the following 3 key areas:

1. Financial
2. Governance
3. Operational

Each of these areas included a section on any potential improvements identified. The publicly published documentation that formed part of the West Midlands Fire and Rescue Authority's (WMFRA) assurance process highlighted were Statement of Accounts, Annual Governance Statement and the Community Safety Strategy (Community Risk Management Plan). The vast majority of other documentation referenced within the Statement of Assurance had already been published into the public domain.

Resolved:

1. That the Statement of Assurance 2020-2021 be approved.

56/21 Financial Regulations

Mike Griffiths, Treasurer to the Authority, provided an overview of the Financial Regulations report that outlined the proposed revised Financial Regulations that reflected the Authority's current financial processes, policies and regulations.

The Authority were advised that as a result of covid, the periodical review of the financial regulations had been delayed however, there had been no change in the core principle of the regulations. The proposed changes, as per appendix 1, reflected updates made to the Authority's Constitution and Committee structures and relevant accounting regulations.

Resolved:

1. That the revised Financial Regulations be approved.

57/21 Monitoring of Finances

Mike Griffiths provided an overview of the Monitoring of Finances report that outlined the monitoring of the Authorities finances for the current financial year up to October 2021, for the revenue budget and the capital programme.

The Authority were advised that the revenue budgeted to the end of October 2021 and the actual figure had been compared, as per appendix A of the report. The actual spend of the Authority up to October 2021, had been £58.518m compared to the projected budget of £58.765m therefore, had created a favourable variance of £247,000m. The table included in appendix B that included the full year of pension projections, was also highlighted.

Mike Griffiths advised that the Authority had approved its capital programme for 2020-21 and its expenditure to the end of October 2021 had been £2.624m. The main variance within the capital programme had been the result of delays with the Vehicle replacement programme and the roof replacement at Transport

Engineering Workshops, as per report. The anticipated spend had been £6.7m that would be funded from WMFS reserves.

Resolved:

1. That the content of the monitoring of finances report be noted.

58/21 Analysis of Progress of Quarterly Performance Against ‘Our Plan’ – Quarter 2 2021-22

Karen Gowreesunker presented the Analysis of Progress of Quarterly Performance Against ‘Our Plan’ – Quarter 2 2021-22 report that outlined the status of the Services key Performance Indicators for quarter 2 2021-22 and the progress that had been made in the delivery of the three strategic priorities contained within ‘Our Plan’ 2021-24.

The Authority were advised that the Key Performance Indicators allowed the Service to manage performance and provided reassurance around the on-going performance of ‘Our Plan’. The service was collected data live to monitor its performance.

The Key Performance Indicators highlighted to Members were risk-based attendance, BAME indicators and the transition of Safe and Well Points. The Authority were advised that performance with risk-based attendance had remained positive with targets met for all four categories of incident types: 1,2,3 and 4. Performance with the Safe and Well points would continue to be impacted until the transition of recording point via Tymly is completed. Following queries on the increase in performance following the easing of COVID restrictions and the announcement made by Government on Omicron; re-assurance was provided by the CFO. He advised that the service would continue to deliver safe and wells away from the workplace or with Personal Protective Equipment (PPE) and social distancing and therefore should not be impacted by the new strain.

Following comments on pressures of staff absence on the service, the CFO re-assured Members that the Service had been scenario planning against anticipated, significant impact on staffing.

Prevention, Protection and Response teams would be prioritising resources and measures had been put in place such as health surveillance and postponement of site visits. The Service would continue with its charity work and assisting with the vaccine roll out.

Resolved:

1. That the status of the Services key Performance Indicators for quarter 2 2021-22 be noted.
2. That the progress made in the delivery of the three strategic priorities contained with 'Our Plan' 2021-2024 be noted.

59/21 Minutes of the Collaboration and Transformation Committee held on 06 September 2021

The Chair of the Collaboration and Transformation Committee wished to thank all officers for their continued contributions and support.

Following discussions on technical issues experienced by Cllr Hogarth, it was agreed that Kirsty Tuffin, Democratic Services Officer, provide support to Cllr Hogarth following the meeting. It was agreed that a note be added to the Collaboration and Transformation minutes for the 6 December meeting, on Cllr Hogarth's availability for the meeting and the technical issues he had faced accessing the meeting.

Resolved:

1. That the minutes of the Collaboration and Transformation Committee held on 06 September 2021 were received.
2. That it be agreed that Kirsty Tuffin, Democratic Services Officer, provide support to Cllr Hogarth following the meeting following his technical issues accessing the Collaboration and Transformation Committee on 6 December.
3. That it be agreed that a note be added to the Collaboration and Transformation minutes for the 6 December meeting, on Cllr Hogarth's availability for the meeting and the technical issues he had faced accessing the meeting.

60/21 Minutes of the Audit and Risk Committee held on 27 September 2021

The Chair of the Audit and Risk Committee wished to thank all officers for their continued contributions, support and administration of documentation for committee meetings.

Resolved:

1. That the minutes of the Audit and Risk Committee held on 27 September 2021 were received.

61/21 Minutes of the Joint Consultative Panel held on 27 September 2021

Resolved:

1. That the minutes of the Joint Consultative Panel held on 27 September 2021 were received.

62/21 Minutes of the Scrutiny Committee held on 01 November 2021

The Chair of the Scrutiny Committee wished to thank all officers for their continued wonderful contributions and support.

Resolved:

1. That the minutes of the Scrutiny Committee held on 01 November 2021 were received.

The meeting ended at 11:47 hours.

Kirsty Tuffin Strategic Hub 0121 380 6906 Kirsty.tuffin@wmfs.net

14 FEBRUARY 2022

1. **THREE YEAR ROLLING STRATEGY 2022-25 AND ANNUAL PLAN**

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT Members note the ongoing progress of the evidence-based Community Risk Management Plan (CRMP) objectives, as set out in 3.3-3.8.5.
- 1.2 THAT Members note the maintenance of Chief Fire Officer (CFO) delegations in the implementation of CRMP objectives to enable delivery of the three-year rolling Strategy, as set out in 3.2.4 and 3.5.1.
- 1.3 THAT Members re affirm the Authority's Vision statement for the Authority's Three-Year rolling Strategy, as set out in 3.13.2
- 1.4 THAT Members approve the three-year strategic objectives 2022-25 and refresh of the annual plan priorities for delivery in 2022-23, as set out in 3.14.5.

2. **PURPOSE OF REPORT**

- 2.1 This report is submitted to Members to provide an overview of the progression of CRMP objectives (as approved by Members in 2020) and how these will be enabled through the 3 Year rolling Strategy 2022/25.
- 2.2 The report will also set out the review of the Authority's Vision and Strategic objectives and annual Priorities that set the context for the 3-year rolling strategy.

3. **BACKGROUND**

3.1 **Community Risk Management Plan (CRMP)**

- 3.1.1 The National Framework for Fire and Rescue Services in England 2018, sets out the requirement for the development and implementation of a CRMP, which identifies and assesses the risk an area presents to fire and other emergency incidents.
- 3.1.2 The requirement for a CRMP is reviewed and assured through the Authority's Statement of Assurance, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection process and the recently introduced CRMP Fire Standard.
- 3.1.3 West Midlands Fire Service (WMFS) ensures compliance with the expectations as set out in the Framework through ensuring its CRMP is the starting point in the development of the three-year rolling Strategy. The CRMP focuses purely on the risk that exists across the West Midlands area.
- 3.1.4 WMFS consult on their CRMP every three years, or when there is a material change that will impact on the services communities will receive. The CRMP is continually reviewed to ensure it provides a current assessment of risk.

3.2 **Developing CRMP Objectives**

- 3.2.1 In recognition of both the changing CRMP, the role of a fire and rescue service and government expectations; following a review of our CRMP undertaken throughout 2020 and a period of public consultation undertaken in late 2020, the Fire Authority approved the development of the CRMP proposals in February 2021. These are now developing as the following CRMP objectives:

- Risk Based Crewing
- Dynamic Mobilising
- Automatic Fire Alarms
- Blended Fleet
- Reducing Health Inequalities
- Emerging Risks

- 3.2.2 The public consultation outcomes provided clear support for the progression of each of the CRMP proposals to enable the best outcomes to be achieved through the delivery of the three-year rolling strategy, against community expectations.
- 3.2.3 These CRMP objectives have been developed over the last 12 months through ongoing commitment of the Strategic Enabling Team (SET), Middle Managers and focused project teams. This focused approach has ensured ongoing communication and engagement of our people, representative bodies and key stakeholders. This approach has ensured that the changes CRMP objectives aim to achieve focus on transforming services to our communities in a sustainable way and importantly, continue to mitigate and reduce risk to vulnerability of fire and other emergency incidents.
- 3.2.4 A key enabler to achieve this is how WMFS optimises the use of resources to increase resilience, effectively manage risk and make more efficient use of our budget. This is delivered through the delegations to the CFO as set out in the Authority's Constitution, Scheme of Delegations 3.6.8: *'The management and allocation of finances, assets and fleet to support the most effective staffing structure and delivery of services within the Authority approved Strategy'*.
- 3.2.5 The following CRMP principles are embedded in the development of the CRMP objectives:
- change delivery of our risk-based services in line with our communities' needs
 - create opportunities and make the best use of our resources to effectively manage changing risk
 - our services need to be as 'future proof' as possible – sustainable and resilient
 - our response services are rated as 'outstanding' – we want to keep it that way
 - maintain and expand what we can offer to our partners and communities
 - the health, safety and wellbeing of our staff
 - work with and involve our staff in delivering the most effective CRMP.
- 3.2.6 These principles have enabled the CRMP objectives to focus on different and transformational ways of delivering our core services to the communities of the West Midlands.

3.2.7 The following overview of progress against each of the Authority agreed CRMP objectives will identify 'how' aligned to the CRMP principles each aims to:

- Respond to risk in the most proportionate way across prevention, protection and response, which sits at the core of a CRMP.
- Ensures the maintenance of the high risk 5-minute attendance standard by protecting resources for high-risk incidents through mobilising our workforce aligned to the risk an incident presents.
- Further enables a proportionate response to incident type through the blended use of our current fleet, understanding how the fleet can diversify in the future and how digital ways of working can lead and facilitate decision making and how incidents are responded to.
- Enable the role of the Authority and WMFS in representing the best views of the communities.

3.3 **Dynamic Mobilising – CRMP objective 1**

3.3.1 Originally identified as a continuation of the 'survivability research' undertaken in 2016. The dynamic mobilising research is intended to understand how, by reviewing our approaches to response interventions (where this is appropriate), we can ensure the most appropriate availability of resources for Category 1 incidents where there is threat of serious harm to life and/or property.

3.3.2 There is a firm rationale to widen this research to understand how these changes impact on survivability across wider risks to communities and the economy.

3.3.3 There are many factors that contribute to increasing incidents which impact on determining the level of risk they present to the community and the level of resource required from the WMFS.

3.3.4 Dynamic mobilising research seeks to understand the factors which contribute to the level of risk that high-risk category 1 incidents present to:

- crews.
- the public.
- businesses.
- the environment.

- 3.3.5 This will then enable WMFS to understand how our initial level of response can be more effectively aligned to the actual/known risk of an incident at the point of call. Thereby improving outcomes for these stakeholders and the role our attendance times play in determining people/resource requirements.
- 3.3.6 The research consists of both data research and live scenarios to validate initial findings and understand and wider impacts.
- 3.3.7 The ongoing outcomes of this research will be understood during 2022-23. They will provide an evidence base for the potential further development of the CRMP and how its objectives transform to continue to manage and mitigate identified risk in the most efficient way.
- 3.3.8 There is ongoing engagement with key stakeholders across other blue light agencies and with the University of Central Lancashire, to enable support and validate this research.
- 3.3.9 Phase 1 of this research will be concluded in the last quarter of 2021/22.

3.4 **Automatic Fire Alarms (AFA's) – CRMP Objective 2**

- 3.4.1 There is no legal duty for Fire Authorities to respond to calls originating from AFA systems to establish if there is a fire. However, as part of the Service Delivery Model (SDM) WMFS responds to automatic fire alarm calls using three Business Support Vehicles (BSVs), therefore protecting front line appliances by attending calls. The BSVs are available between 07:00 and 19:00 which creates further opportunity for the Risk Based Crewing resources to respond to AFA during the evening hours.
- 3.4.2 The review of our approach to AFAs is enabling the consideration of options which will provide a risk-based approach to dynamically mobilising our people and resources to AFAs. Mobilising resources to fires/life risk incidents where the site is not managed will not change.
- 3.4.3 Alternative options to responding to sleeping risk AFAs, such as Student Accommodation will further protect the SDM, to ensure resources are available for immediate deployment to high-risk incidents.

- 3.4.4 88% of those who responded to the CRMP public consultation undertaken in 2020 agreed with the development of alternative approaches to AFAs to enable businesses to comply with their fire safety responsibilities.
- 3.4.5 Currently options are being considered for the most appropriate risk-based response to an AFA in the future within the three re categorised types of:
- Non-Sleeping – Shops, offices, licensed Premises
 - Sleeping Managed – Hospitals, Care Facilities, Student Accommodation
 - Sleeping Non managed – Dwellings, Multiple occupancy houses, Sheltered non managed
- 3.4.6 Specifically, the proposed changes to how we respond to Sleeping Managed properties will enable a proportional level of response. This will ensure resources are more readily available to deliver community risk reduction activities across Protection, Prevention and Response.
- 3.4.7 The AFA objective is expected to be implemented in May 2022. Critical to the implementation of this CRMP objective will be the essential external engagement with businesses and communities to ensure wider awareness.

3.5 **Risk Based Crewing – CRMP Objective 3**

- 3.5.1 The risk-based approach to the flexible use of our resources was supported by the Fire Authority in 2019 and is delivered through the delegated responsibilities of the Chief Fire Officer.
- 3.5.2 The existing flexible use of our fleet meets the financial efficiency savings required but also has a knock-on impact on fleet availability, with a number of Brigade Response Vehicles being unavailable at any one time.
- 3.5.3 Risk Based Crewing (RBC) provides an alternative approach to managing risk and finance through our fleet, to ensure we are delivering value for money, whilst providing the best services to meet the diverse needs of our communities.
- 3.5.4 This CRMP objective focuses on lower risk incidents such as secondary fires or special service calls. The aim is to empower fire control and operational officers to make risk-based decisions regarding the right level of resources to mobilise

based on knowledge, experience and professional judgement. This approach builds on our already successful dynamic mobilising concept.

- 3.5.5 RBC has been trialled across Northfield and Hay Mills Fire Stations to understand the impact of the mobilisation of alternative crewing levels (than the standard level of response) to an incident. A further two stations commenced the trial at the end of January 2022, and it is intended, following consultation, RBC will roll out to all stations which operate a Brigade Response Vehicle on core shifts.
- 3.5.6 At the time of writing this report between the initial two trial locations, crews have attended in excess of 390 incidents (since the beginning of the trial in November 2021) where a risk-based decision has been applied. This means that resources have been mobilised with an alternative crewing level than the standard level of response.
- 3.5.7 The trial is constantly being evaluated to ensure the mobilisation of the most appropriate weight of attack in our response to incidents, to meet our diverse incident types. Evaluation also enables ideas and recommendations from our people to be considered and implemented on a regular basis.
- 3.5.8 The implementation of RBC as an alternative approach to the existing flexible use of our fleet will contribute towards savings of £3.8M in 2022-23.
- 3.5.9 During 2022-23 the approach to this CRMP objective will continue to be monitored and evaluated to understand where further transformation and benefit may be realised.

3.6 **Blended Fleet – CRMP Objective 4**

- 3.6.1 This CRMP objective aims to work across the CRMP and its objectives, to continuously explore the opportunities these present in transforming our use of resources and how these can be further enhanced, through adapting and changing our fleet and how it is used.
- 3.6.2 Critical to the future of our blended fleet is not only how it can adapt to changing approaches to the delivery of prevention, protection and response activities but also how external influencing factors such as innovation, sector research and

environmental considerations will impact the type of vehicles required for the future.

- 3.6.3 As with all our CRMP objectives, the aim of blended fleet is to achieve risk reduction activities through prevention, protection and response in an assertive, effective and safe way, continuing to provide an outstanding 5-minute response to high-risk incidents.
- 3.6.4 The initial phase of this CRMP objective has sought to identify potential changes to the resourcing and use of the WMFS current fleet, to support the future implementation of AFA's, RBC and a recent review of attendance to Road Traffic Collisions (RTC).
- 3.6.5 Evidence drawn from the RTC review has identified WMFS is able to respond with a different resource to non-person's reported RTCs.
- 3.6.6 Currently all RTCs are mobilised to as high-risk category 1 incidents and responded to with a fire engine and a crew of at least 5. Data from 2016/2017 -2019/2020 identifies a total of 82.9% of these incidents did not require any type of rescue from the vehicle. These are RTC incidents where attendance and resource would be used to make the area safe and would not necessarily require the crewing levels and resources typically required of a category 1 incident.
- 3.6.7 The outcomes from this review is informing possible changes to incident type categorisation and potential development of the services fleet to attend these incident types leading to the most efficient use of WMFS resources to provide an effective service to the community. Any changes to the risk category will enable these incidents to be considered within the risk based crewing trial.
- 3.6.8 The response to RTC persons reported will remain a category 1 high risk incident and as such are unaffected by the review.

3.7 **Reducing Health Inequalities – CRMP Objective 5**

- 3.7.1 The CRMP and 3 year Rolling Strategy February 2021 Authority report, highlighted the link between health status of an individual and Fire & Rescue related risks such as fire and WMFSs targeted person-centred approach to its prevention interventions. Our Strategy continues to use the principle of

‘upstream activity’, identifying and tackling the causes of the causes of preventable death and related injury, which underpins our prevention activity.

3.7.2 The Reducing Health Inequalities objective aims to:

- enhance the ‘Up Stream’ approach to firefighting through the development of a co-ordinated suite of activities that reduce health inequalities across the life course of a vulnerable person
- reduce the risk and vulnerability to fire and other emergencies and create more resilient communities.

3.7.3 Reducing Health Inequalities seeks to focus on the following areas to enable a whole systems approach to the development of interventions:

People – Delivery of activities that reduce health inequalities through an engaged and competent workforce. This will enable the reduction of risk through increased awareness of the causes of the causes as the wider issues that make communities and individuals more vulnerable to fire. This may include delivering commissioned services where they assist us to make contact with the most vulnerable.

Digital – Using digital technology to enhance the delivery of activities. For example, this has developed through the last 18 months providing for remote safe and wells through Tymly.

Data – Using data to identify vulnerable people or communities working in collaboration with other agencies, sharing data to enhance our ability to target these individuals.

Evaluation of prevention activities will enable WMFS to better understand how effectively it is targeting services, changing behaviours, reducing risk and how services can be improved for the future.

Partnerships and Collaboration – working alongside organisations and partnerships whose priorities are to reduce health inequalities including Local Authorities, Health Trusts, West Midlands Combined Authority and the newly emerging Integrated Care Systems.

The future development of 'reducing health inequalities' as a central focus of WMFSs prevention agenda will require the widest consideration and application of the reduction of risk to those most vulnerable in our communities. These activities will challenge the traditional perception of the role of the fire service. However, aligned to the WMFS Vision and strategic direction as set out in the CRMP and 3 year rolling Strategy, these activities will enhance the 'Up Stream' approach to fire fighting and the role of WMFS and a fire fighter, which is to reduce risk through the delivery of the services of prevention, protection and response.

3.8 Emerging Risks – CRMP Objective 6

- 3.8.1 The Emerging Risks CRMP objective recognises the future impact of external and environmental changes, events which will have an impact on how we deliver our services as well as the skills required of our people to archive this. The pending Commonwealth Games, HS2 development and the need to ensure continued preparedness for Marauding Terrorist Incidents, require a greater understanding and assessment to identify the potential new and increased hazards these present and how they may therefore result in risks to the community.
- 3.8.2 The introduction of a third Technical Rescue Station located at Sutton Coldfield fire station will provide our communities with enhanced capability and capacity to deal with identified emerging risks in an agile and flexible manner.
- 3.8.3 This additional provision increases levels of assurance & resilience in the delivery of WMFS specialist response capability and National Resilience requirements and will enhance our contribution to the 'Prevent Strategy' around extremism and terrorism.
- 3.8.4 It is expected that this additional capability will go live in May 2022. Currently recruitment is ongoing with the first phase resulting in 11 successful candidates supporting our commitments to diversity and inclusion. 27% of new recruits are female and BAME, groups that are underrepresented in our technical rescue units.
- 3.8.5 Engagement with our people internally seeks to ensure that any changes are well understood, and the impact reduced as much as possible,

3.9 **Strategic Influences**

3.9.1 **Fire Reform:**

In the progression of the CRMP and how this will enable the delivery of the Authority's strategy, understanding the potential impact of external influencing factors has been critical to ensure these are factored into planning.

3.9.2 Whilst the fire sector awaits the publication of the Home Office Fire Reform White Paper, which is expected to define the role of a Fire and Rescue Service, there is a clear expectation of transformation set by the government through the Fire Minister of sector reform aligned to performance (productivity), people and governance.

3.9.3 This has created an expectation that whilst further efficiencies may need to be achieved, these should be driven through the diversification of services and increasing value for money.

3.9.4 These expectations are further re-enforced through HMICFRS inspection outcomes which since 2019 have continued to focus on national sector and local Service reform. Leadership, equality diversity and inclusion, decision making, fire fighter roles and pay structures sit at the core of these.

3.9.5 The impacts of the Building Risk Review and the pending Building Safety Bill provide ground-breaking reform ensuring residents and homeowners have more powers and protection with the aim of making homes across the country safer. These will develop the sector's approach to providing protection services to our communities in a way which will be long lasting.

3.9.6 The HMICFRS State of Fire Report 2021, by Sir Tom Windsor, highlights that Fire and rescue services in England have made improvements in some areas but more change is urgently required. This report creates a re-focus on the original recommendations made in The HMICFRS State of Fire Report 2019. These recommendations are expected to be translated through the Home Office Fire Reform White Paper.

3.9.7 The independent HMICFRS led inspection programme, which will inspect WMFS in March 2022, will assure the delivery of services and any changes. Aligned to government expectations, there continues to be a keen focus on evidencing

the continued and improved efficiency and effectiveness of prevention, protection and response services as well as understanding how well the workforce is looked after.

3.10 **Value for Money**

- 3.10.1 The provision of a one-year financial settlement for 2022-23, whilst providing a level of stability, does not enable the effective planning and delivery of a three-year rolling strategy. The Authority's three-year rolling strategy will require both investment and efficiencies to be made in a way which makes best use of our resources, to deliver maximum community benefit in the achievement of Strategic Priorities and the delivery of the CRMP.
- 3.10.2 In February 2019 the Authority agreed extant delegations to the CFO, enabling the flexible availability of the fleet to provide efficiency savings of £3.8M as part of a four-year efficiency plan. These ongoing savings, as well as additional external financial considerations, form part of the budget report.
- 3.10.3 Over the three-year rolling Strategy 2022-25, the delivery of the CRMP objective of Risk Based Crewing (RBC) will provide a more agile and transformational approach to the delivery of the Strategic Priorities and the achievement of efficiency savings in a way which aligns to the CRMP principles set out in paragraph 3.3.5.
- 3.10.4 RBC moves WMFS forwards in managing fleet in an increasingly flexible way, which focuses on the amount of resource and types of vehicles needed to respond to certain incident types. This continues to ensure that the right resources are available to attend high risk incidents in high-risk areas within 5 minutes.
- 3.10.5 Further detail of the RBC CRMP objective is set out in section 3.6.
- 3.10.6 This approach has been supported through the CRMP consultation undertaken in October-December 2020, with 93% of respondents agreeing that WMFS should continue to adopt flexible approaches to managing our resources. Many responses cited the need to be flexible to adapt to the changing demands on the service whilst embracing new technologies. There was also recognition of potential funding cuts which needed to be addressed.

3.10.7 The implementation of CRMP objectives through the three-year rolling Strategy 2022-25 will seek to enable transformation priorities as well as efficiencies required through any future funding reductions through re-configuring and transforming the use of resources and assets in more efficient and effective ways focusing on maintaining and enhancing our Service Delivery Model through ensuring public safety, delivering this within a balanced budget. The implementation of the CRMP objectives will also link to the 3% productivity increase indicated in the collaborative Local Government Association and National Fire Chief's Council's Comprehensive Service Review submission made in the summer of 2021.

3.11 **People**

3.11.1 The delivery of the three-year rolling Strategy is best achieved through a motivated and engaged workforce. Our internal people plan recognises that when our people feel that WMFS is a great place to work, then our communities are the beneficiaries.

3.11.2 Through our renewed People plan, WMFS will ensure a renewed and sustained focus on talent management, engagement and communication, Health, Safety & Wellbeing with an uncompromising commitment to Diversity, Inclusion, Cohesion and Equality (DICE). WMFS will ensure that both physical and mental health issues are treated equally seriously and maintain a continual review of our Health & Wellbeing strategy to make improvements where they are identified.

3.11.3 Our DICE objectives and activities continue to be a key component to ensuring WMFS can achieve its three-year rolling Strategy in the most effective and targeted way. WMFS is introducing the National Fire Chiefs Council (NFCC) Core Code of Ethics into WMFS which will serve as a platform to improve understanding and commitment to the service's core values. We continue to refine our positive action activities to maximise the opportunity of becoming a truly representative organisation.

3.11.4 WMFSs approach to Organisational Development centres around enabling our personal growth which in turn allows greater contribution to making West Midlands Safer, Stronger and Healthier.

3.11.5 Understandably, how we engage and treat our people is a key focus for the Government and Home Office and as such 'People' is a pillar of the HMICFRS Inspection process within which we achieved an overall rating of 'good' during our previous inspection. WMFS has sought continual improvement within the sub-sections identified as 'requires improvement' during the last inspection. In addition, the workforce reform considerations likely to result from the forthcoming Government White Paper, will become clearer over coming months as the paper is published.

3.12 **Digital**

3.12.1 Digital ways of working increasingly support WMFSs ability to operate in a flexible and agile way. Providing new, different and more efficient approaches to enabling the delivery of services to diverse local communities is a critical part to the implementation of our CRMP objectives and three-year rolling Strategy. This not only provides different ways for us to interact with our communities but also protects and increases our physical contact time with them.

3.12.2 Our communities and our people already benefit from innovative ways of working supported by new technologies such as the Dynamic Cover Tool, Microsoft 365 and Tymly. All these tools have provided us with more flexible approaches to working and delivering services in the changing environment that the COVID pandemic presents.

3.12.3 The recent introduction of the first phase of Oracle has seen us transfer a number of processes from Sandwell council into our own systems, for example Payroll. We have also been able to transform how we manage expenses and upgrade our procurement systems, creating different ways of working that will become even more streamlined and efficient through our ongoing transformation journey. One of the critical areas of value from implementing Oracle is that we now have systems than can talk more effectively to each other, making ways of working across WMFS more effective. This has been an area identified both through our previous HMICFRS inspection and our cultural review. The work done provides a foundation from which to keep building and improving our ways of working.

3.12.4 Whilst the ongoing use of digital and data will continue to transform our three-year rolling Strategy, WMFS is acutely aware that those who are most vulnerable may not have access to the technology required, and/or the skills to engage with it. The aspirations set out in our three-year Strategy 2022-25 seek to ensure our services can adapt to meet the needs of these communities as well as enable our communities to engage in a way which increases their opportunity of access to our services. We continue to work with the partners working to improve digital inclusion and poverty.

3.13 **Three Year Rolling Strategy – Vision, Strategic Objectives, Priorities and Goals**

Vision statement

3.13.1 The evidence based CRMP and CRMP objectives set out in this report fully support the continued focus of the recommended Authority strategic direction. This is set out in the current Authority vision of:

‘Making the West Midlands Safer, Stronger and Healthier’.

3.13.2 The Vision statement continues to recognise the risk that continues to exist and increase across the West Midlands and our ability as a Fire and Rescue Authority to seek to prevent and mitigate these risks through our statutory functions of Prevention Protection and Response.

The development of a Mission statement will enable a more effective translation of the Vision to our communities and people. ‘Through our highly trained staff we aim to deliver the best fire, rescue and risk reduction services which have our communities at heart - helping them to stay safe and to thrive.’

3.13.3 To provide greater clarity in the strategic intentions of our three-year rolling Strategy, the SET have considered the outcomes of the CRMP objectives, strategic influences as cited in this report so far and have refreshed the Strategic Priorities as well as defining four Strategic Perspectives with associated goals, which will enable delivery of the Strategic Priorities.

3.13.4 The three-year strategic objectives 2022-25 remain as set out below:

Response: Dealing excellently with incidents

Prevention: Delivering interventions which support safer and healthier communities

Protection: Protecting life and property to make businesses stronger and communities safer

3.13.5 **The refreshed Strategic (Annual) Priorities for 2022-23 are:**

Prevention:

- We will prevent fires, road traffic collisions and other emergencies
- We will focus on reducing health inequalities for our most vulnerable as a means of reducing risk and vulnerability to fires and other emergencies
- We will educate the community to reduce their risk and vulnerability to fires and other emergencies
- We will collaborate, and work in partnership with other organisations to reduce the risk and vulnerability to fires and other emergencies

Protection:

- We will protect you and your property by targeting high-risk buildings and vulnerable businesses
- We will make our communities safer by implementing the learning from independent and sector-led reviews
- We will improve community safety by developing innovative and smarter approaches to help keep your business in business
- We will promote economic growth through the development of sustainable solutions and education to support businesses
- We will reduce disruption to businesses and communities of the west midlands

Response:

- We will respond with the resources you need when you need them to protect what matters to you, to save life, reduce harm and protect homes and businesses
- We will be ready to respond in an assertive, effective and safe way to meet our vision and your expectations.

- We will lead rescue operations, working with others to help make you safer.
- We are ready to respond locally, nationally and internationally.

3.13.6 The SET have identified a number of strategic perspectives which through defined goals will enable the delivery of each of the strategic priorities. The management of these strategic perspective and goals will be achieved through the WMFS 3PT Portfolio approach to project management.

Strategic Perspectives

3.13.7 The Strategic Perspectives set out below provide a focus on the internal strategies that will enable implementation of the Strategic Priorities set out above. Each will contain a set of 'goals' which will provide WMFS and its people with greater context of 'how' the Prevention, Protection, Response Strategic Objectives and Strategic (Annual) Priorities will be achieved. These goals will align to our 3PT framework providing for effective integration into the management of our projects.

Community Risk Reduction

Achieving excellent Community outcomes by reducing risk and vulnerability through a proportionate response to all prevention, protection and operational activities

Enabling Services

Providing effective and efficient systems as part of a sustainable ecosystem which supports our people and services to be excellent.

People

Working together to make WMFS a great place to work for our people for the benefit of our community

Value

Deliver the Maximum Community benefit using the investment available to us

4. EQUALITY IMPACT ASSESSMENT

4.1 The ongoing development and implementation of CRMP objectives through the Vision, Mission and Strategic Priorities set out in the three-year rolling Strategy, are designed to ensure that

our communities and vulnerable groups are not disadvantaged through the delivery of WMFSs services. The risk of fire and other emergency incidents to local communities provide the foundation and evidence base to our CRMP.

Each of the CRMP objectives facilitated through the three-year rolling Strategy, will be subject to equality impact and access assessments to provide the most effective planning and provision of WMFSs services of Prevention, Protection and Response.

5. **LEGAL IMPLICATIONS**

5.1 The recommendations in this report ensure the effective and efficient delivery of Fire and Rescue Authority Services as set out on the Fire and Rescue Services Act, Regulatory Reform Order, Emergency Order, Civil Contingencies Act and the National Framework which incorporates the duties of these Acts, but also the requirements for governance and assurance of performance.

6. **FINANCIAL IMPLICATIONS**

6.1 There are no direct financial implications to the approval of recommendations in this report.

7. **ENVIRONMENTAL IMPLICATIONS**

7.1 There are no environmental implications.

BACKGROUND PAPERS

Our Plan 2021-24

CRMP 2021-23

CRMP and 3 Year Strategy Authority report, 15 February 2021

CRMP Consultation Outcomes SET Report 13 January 2021

The contact name for this report is Karen Gowreesunker – telephone number 07973 810338.

KAREN GOWREESUNKER Strategic Enabler
PHIL LOACH Chief Fire Officer

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**14 FEBRUARY 2022****1. MONITORING OF FINANCES**

Report of the Treasurer.

RECOMMENDED

1.1 THAT the report be noted.

2. PURPOSE OF REPORT

2.1 This report deals with the monitoring of the finances of the Authority in the current financial year and covers revenue expenditure and the Capital Programme.

2.2 Expenditure is compared with a profile of the Authority's budget.

3. BACKGROUND**3.1 Revenue Expenditure**

3.1.1 The Authority's 2021/2022 Council Tax requirement is £45.038 million and the revised revenue budget is £101.764 million. As part of the Authority's 2022/2023 budget setting process, the current year's budget has been reviewed and revised.

3.1.2 Appendix A compares the revenue budgeted to the end of December 2021 with the actuals to that date. Devolved budgets are managed by the Section responsible for incurring the expenditure as opposed to corporate budgets, which are managed by the named Section on behalf of the Brigade as a whole.

3.1.3 Actual spend to December 2021, including commitments, was £73.658 million compared to a projected budget of £73.718 million, an overall favourable variance of £60k.

3.1.4 The overall favourable variance is mainly due to an underspend on pay budgets due to vacancies.

3.1.5 Appendix B provides statistical data relating to the Firefighters' Pension Scheme.

3.2 **Capital Expenditure**

3.2.1 The Authority's approved capital programme for 2021/2022 is £8.220 million. A scheme analysis is shown on Appendix C. Expenditure to the end of December 2021 is shown as £2.835 million.

3.2.2 The main forecast variances within the capital programme relate to:

- Vehicle Replacement Programme – delayed purchase to 2022/23 of the:
 - Command Support Vehicle
 - Water Units
 - Toilet Trailers
 - Demountable Lounge Fire Unit (Community Fire Safety demonstration unit)
 - Toolcat
- Windows/Door Replacement – manufacturer frame build lead times extended due to the pandemic.
- Roof replacement at Transport Engineering Workshops has been delayed due to the need to retender.

4. **EQUALITY IMPACT ASSESSMENT**

4.1 In preparing this report, an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

5.1 The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

- 6.1 These are contained in the body of the report and the attached Appendices.

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2021
Finance Office Budget Monitoring Files

The contact officer for this report is Wayne Brown, Deputy Chief Fire Officer, telephone number 0121 380 6907.

MIKE GRIFFITHS
TREASURER

REVENUE MONITORING SUMMARY TO DECEMBER 2021
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	REVISED BUDGET 2021/2022 £'000	PROFILED BUDGET £'000	ACTUALS + COMMIT -MENTS £'000	VARIANCE TO PROFILED BUDGET £'000
<u>DEVOLVED BUDGETS</u>				
Corporate Management	1,115	842	853	11
Strategic Hub	564	426	416	-10
Portfolio & Organisational Intelligence	1,001	735	732	-3
Ops North, Preparedness & Response	2,324	1,615	1,596	-19
Ops South & Fire Control	2,571	1,613	1,589	-24
Prevention	2,045	1,454	1,446	-8
Protection	4,713	3,436	3,409	-27
Resourcing	6,247	4,660	4,659	-1
Digital & Data	5,637	4,162	4,169	7
Policy & Organisational Assurance	820	614	618	4
Communications & Engagement	1,031	787	778	-9
People Support Services	587	422	419	-3
Employee Relations	273	199	202	3
Organisational Development	58	44	45	1
Organisational Learning & People Development	4,520	3,252	3,231	-21
Health, Safety & Wellbeing	2,411	1,800	1,775	-25
<u>CORPORATE BUDGETS</u>				
Ops North, Preparedness & Response	-159	-142	-144	-2
Prevention	16	13	9	-4
Protection	11	-48	-42	6
Resourcing	14,603	9,838	9,876	38
Digital & Data	232	236	245	9
People Support Services	2,235	1,621	1,624	3
Employee Relations	105	100	111	11
Organisational Learning & People Development	106	57	50	-7
Health, Safety & Wellbeing	47,178	34,959	34,969	10
Other Income & Expenditure	1,520	1,023	1,023	-

OFFICIAL

Appropriation to Reserves	-	-	-	-
TOTAL (NET BUDGET REQUIREMENT)	101,764	73,718	73,658	-60
Core Funding	-56,726	-44,030	-44,030	-
TOTAL (COUNCIL TAX REQUIREMENT)	45,038	29,688	29,628	-60

OFFICIAL

FIREFIGHTERS' PENSION SCHEMES

NON-FINANCIAL INFORMATION	2021/22 PROJECTION				ACTUAL POSITION AS AT DECEMBER 2021			
	1992 FPS	2006 FPS	2015 FPS	TOTAL	1992 FPS	2006 FPS	2015 FPS	TOTAL
Members of FPS at 1 st April 2021	76	6	1,169	1,251	76	6	1,169	1,251
New Members	-	-	82	82	-	-	58	58
Opt-In (including net auto-enrolment)	-	-	10	10	-	-	2	2
Transitional Members during year	-32	-	32	-	-4	-1	5	-
Transfers from Other Pension Schemes	-	-	4	4	-	-	-	-
Transfers to Other Pension Schemes	-	-	-4	-4	-	-	-	-
Retirements	-44	-6	-26	-76	-21	-2	-22	-45
Opt-Out			-5	-5	-	-1	-3	-4
Leavers			-5	-5	-	-	-1	-1
Ill-Health Retirements			-2	-2	-	-	-	-
Members of the Fire Pension Schemes as at 31 December 2021	51	2	1,208	1,261	51	2	1,208	1,261

CAPITAL MONITORING STATEMENT 2021/22

Scheme	Year 2021/22	Latest Budget £'000	Actuals December 2021 £'000	Forecast £'000	Variance £'000
<u>LAND & BUILDINGS</u>					
Boiler Replacement Programme	Ongoing	285	233	280	-5
Roof Replacements	Ongoing	892	4	377	-515
Windows/Door Replacement	Ongoing	677	0	0	-677
Rewires	Ongoing	399	201	399	-
Drill Tower and Burn Facility	1 of 2	689	327	410	-279
Other Building Modifications	2 of 2	59	24	59	-
Security Works	3 of 3	73	26	41	-32
Occupational Health Relocation	3 of 3	36	26	36	-
HQ Alterations (Car Park)	1 of 1	120	11	120	-
Aston Fire Station	7 of 7	97	14	80	-17
Health & Safety Works (COVID)	2 of 2	320	307	307	-13
<u>VEHICLES</u>					
Vehicle Replacement Programme	Ongoing	4,423	1,661	2,850	-1,573
<u>ICT & EQUIPMENT</u>					
C&C Upgrade-Vision 4/ESMCP	4 of 4	150	1	150	-
Grand Total		8,220	2,835	5,109	-3,111
<u>Funded By</u>					
Prudential Borrowing		0		0	-
Capital Grants / Contributions		74		74	-
Capital Receipts to be Applied		0		0	-
Revenue Financing / Earmarked Reserves		8,146		5,035	-3,111
TOTAL		8,220		5,109	-3,111
SURPLUS(-)/DEFICIT(+)					

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

14 FEBRUARY 2022

1. **BUDGET AND PRECEPT 2022/2023 AND BUDGET FORECAST
2023/2024 TO 2024/2025**

Joint Report of the Treasurer and Chief Fire Officer.

RECOMMENDED

1.1 THAT the following be approved:

1.1.1 The Authority's Net Revenue Budget for 2022/2023 of £108.303 million which includes a Council Tax requirement of £49.405 million, set out in Appendix A, together with the associated precept levels, set out in Appendix B, resulting in a Band D Precept increase of £4.99 (7.92%).

1.1.2 The Authority's capital programme for 2022/2023 to 2024/2025 as set out in Appendix E.

1.1.3 The Authority's Treasury Management Strategy which includes the Minimum Revenue Provision Statement set out in Appendix F and the Prudential Indicators in Appendix G.

2. **PURPOSE OF REPORT**

2.1 The Authority is requested to consider the Capital Programme for 2022/2023 to 2024/2025, the prudential indicators relating to the Authority's capital financing requirements, the Minimum Revenue Provision Statement, the Treasury Management Strategy, the Revenue Budget and to approve the consequent precept level and resultant amount for each constituent District Council.

3. **BACKGROUND**

3.1 The budget setting process is a key part of the Fire Authority's arrangements which establishes the anticipated level of available funding to deliver its key priorities and services. Work has been undertaken throughout the year to determine the Authority's key

priorities, outcomes and strategic objectives contained in the 3 Year Strategy 2022-25 and Annual Plan 2022-23.

- 3.2 On 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced the provisional settlement for 2022/23 at £53.590m, resulting in a funding increase of £0.588m (1.1%). In addition, it was indicated A new 'one-off' Services Grant would be distributed through the existing Settlement Funding Assessment formula amounting to approximately £2.3M for this Authority (additional national insurance contribution costs of approximately £650k are to be funded from this). The Government also proposed a general Council Tax referendum threshold of 2% for Fire and Rescue Authorities. However, for one year only (2022/23), for the Fire and Rescue Authorities in the lowest charging quartile, there would be flexibility to increase Band D precepts by £5.
- 3.3 The Local Government Finance Settlement is a one year only Settlement for 2022/23, rather than the anticipated three-year Comprehensive Spending Review period. Multi-year settlements are a more effective way of managing resources, aligned to longer term planning and this uncertainty needs to be factored into the Medium Term Financial Strategy.
- 3.4 Fire Authority Members received an overview of the provisional 2022/23 Finance Settlement as part of the Policy Planning Forum on 10 January 2022 with a subsequent update at the Policy Planning Forum on 31 January 2022.
- 3.5 The Fire Authority's provisional budget position was presented at the District Leaders meeting on 26 January 2022. The District Leaders were supportive of the Fire Service and specifically indicated they supported Council Tax for Band D properties being increased by £4.99 in line with the referendum limit that applies to this Authority.
- 3.6 It is anticipated that DLUHC will confirm the Authority's 2022/23 Finance Settlement on 10 February 2022 (this may require some revisions to this report).
- 3.7 The Corporate Risk Register has identified a number of major risks that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks have made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the

Authority's General Balances, which are identified in Section 6 of this report.

- 3.8 In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding.
- 3.9 Furthermore, the Service is likely to continue to be directly impacted to some degree by the effects of COVID during 2022/23 together with the linked requirement to invest in the health, safety and wellbeing of all staff.
- 3.10 Therefore, whilst the Government funding allocation in 2022/23 is higher in cash terms compared to 2021/22, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire Sector.
- 3.11 Details of the proposed 2022/23 budget are set out in Appendix A, together with revisions to the current year's budget (the 2022/23 budget is replicated for information in the management reporting format in Appendix C).

Business Rates Retention

- 3.12 The Business Rates Retention Scheme was introduced in April 2013 and provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and services. Local Authorities are able to keep 50% of the business rates revenue, adjusted for any growth or reduction on the revenue that is generated in their area. This is intended to provide a strong financial incentive for Authorities to promote economic growth.
- 3.13 The main impact on this Authority is that a proportion of income previously paid by the Government is received via the 7 West Midlands Metropolitan Councils. Under these arrangements this Authority is entitled to a payment equivalent to 2% of the amount of Business Rates retained by the 7 West Midlands Councils. This is approximately £10m.
- 3.14 The Chancellor announced in the Spending Review in November 2015 the intention to localise 100% of business rates to local authorities by 2019/20. However, this intention was modified in an announcement by the Secretary of State for Ministry of Housing,

Communities and Local Government (MHCLG) as part of the provisional settlement for 2019/20, indicating the Government's aim was to increase the local share of business rates retention to 75% from 2020/21 in a way that was fiscally neutral and ensured local councils would have the levers and incentives they needed to grow their local economies.

- 3.15 In September 2019, the Secretary of State for MHCLG announced that the implementation of changes to local government funding, including business rates retention, had been postponed. Authorities were notified that in order to provide certainty and stability for 2020/21, there would be a delay to the introduction of the scheme until 2021/22, a year later than planned. These plans were subsequently deferred again, until at least 2022/23.
- 3.16 In November 2021, the Government's Communities Secretary announced that the 75% business rates retention approach would conflict with the Government's 'levelling up agenda' and that the Government would now look at the mechanism for redistributing funding to those Authorities most in need, effectively appearing to abandon plans to allow councils to retain 75% of their business rates.

Fair Funding Review

- 3.17 The Government considered the need for a 'Fair Funding Review' a number of years ago. The outcome of such an exercise would affect how funding is allocated and redistributed between local authorities and was originally intended to determine the relative share received by each individual Fire and Rescue Authority from the total Fire Service funding received from Central Government.
- 3.18 It was originally proposed that the new arrangements would be introduced from 2021/22 but the introduction was subsequently deferred until at least 2022/23.
- 3.19 It is now the Government's intention to undertake a Fair Funding Review across Local Authorities, although it is not now intended to include Fire and Rescue Authorities directly within the process. The timescales, to achieve an appropriate outcome in time to affect Finance Settlements from 2023/24 onwards, are challenging. Whilst it is not intended for the Fire Sector to be directly part of the exercise, issues such as the scale of Council Tax revenue generated by individual Local Authorities could have an indirect impact on resource

allocations within the Fire Sector and so this review adds another complexity and volatility to long term financial planning.

Update 3 Year Strategy 2022-25 and Annual Plan 2022-23

- 3.20 A key element of developing the Authority's plans is to seek the opinions of those people that live, work and travel within the West Midlands. As part of this, a public consultation is undertaken every three years and/or when changes to the core services are being considered by the Authority.
- 3.21 The Authority consulted the public in 2020. This provided the opportunity for the public to influence the way the Service works. The Community Safety Strategy (the Community Risk Management Plan) is the risk analysis which identifies what the risk profile of the West Midlands community is and provides analysis of where resources are required to enable effective management of these risks in order to achieve a five-minute risk-based attendance standard for the most serious emergencies.
- 3.22 The "3 Year Strategy 2022-25 and Annual Plan 2022-23" sets the Authority's strategic direction for the next three years and defines those outcomes, priorities and strategic objectives, for the first year, which are to be provided with the available resources in 2022/23 and forecasted in future years.

Firefighters' Pension Scheme – Employers' Contributions

- 3.23 HM Treasury announced changes to the discount rate for unfunded public sector pensions on 6 September 2018. This, combined with the earlier 2016 Budget announcement, resulted in a reduction to the discount rate from 3% to 2.4%, and had the effect of increasing the employer contributions (to include ill-health costs) from an average 17.6% to 30.2% from April 2019.
- 3.24 The Government Actuary's Department estimated that the additional cost to the Fire sector would be around £125m per annum. However, HM Treasury provided additional funding in 2019/20 in order to mitigate most of this increase, with the sector paying only the additional costs announced at the Budget 2016 (a reduction in the discount rate from 3% to 2.8%). This meant that the Fire sector paid approximately £10m of the additional costs in 2019/20, with the remaining £115m being provided via a grant under the s31 Local Government Act 2003.

3.25 For this Authority, a Section 31 government grant of £5.7m was allocated in 2019/20, with a similar arrangement being made subsequently in both 2020/21 and 2021/22. It was anticipated that this matter would be considered within the base funding for the Fire Sector as part of the 2022 Comprehensive Spending Review to avoid the uncertainty around funding and the one-year only funding arrangement. However, this did not form part of the 2022/23 Finance Settlement but an equivalent level of grant is anticipated for 2022/23.

Firefighters' Pension Scheme – Court of Appeal Judgement

3.26 On 20 December 2018, the Court of Appeal handed down the judgement in the Firefighters' transitional appeals case, finding that the transitional protections introduced with the new Pension scheme in 2015 were unlawfully discriminatory on grounds of age.

3.27 The decision related only to the transitional protection arrangements in the 2015 firefighters' pension scheme that applied to members of the 1992 Firefighters' Pension scheme and whether these were discriminatory. It did not address the introduction of that scheme itself by the primary legislation of the Public Service Pensions Act 2013.

3.28 On 18th December 2019 the Employment Tribunal issued an interim Order which provided claimants with a right to be treated as if they had met the criteria for full protection under the scheme rules. Following the Publication of this Order, the Government made a written statement and launched a Consultation on removing the discrimination from all Public Service Pension Schemes. The consultation closed on 11th October 2020 and the Governments response was published on 4th February 2021.

3.29 The response proposed that scheme members with benefits in the legacy schemes, those that existed before 1st April 2015, should have the opportunity to have their benefits calculated as if their membership of those schemes had continued until 31st March 2022. From 1st April 2022 all employees will be moved into the reformed pension scheme. In the case of Firefighters this will be the 2015 Firefighters Pension scheme.

3.30 However, the situation regarding 'Immediate Detriment' cases i.e. those staff affected by the introduction of the new Pension scheme in 2015, is still affected by a number of legal and financial uncertainties. As a result, this still represents another complexity to the Authority's pension and budgetary considerations.

4. **PRECEPT 2022/2023**

- 4.1 Under the Council Tax arrangements, the allocation of the total sum required by the Authority between constituent District Councils is based on the relevant tax base for each District.
- 4.2 All District Councils have now formally set their Council Tax base and have notified the Authority accordingly. The total relevant Council Tax base for the Authority is 726,271.98 (714,480.38 in 2021/22).
- 4.3 For 2021/22 budget setting the Government amended secondary legislation to allow Authorities to spread the estimated deficit on the 2020/21 Collection Fund over the three years 2021/22 to 2023/24, following concerns that spending on local services could be significantly curtailed and/or Authorities' financial viability put at risk in 2021/22. For this Authority, the spread of the deficit was £272k in 2021/22, £169k in 2022/23 and £169k in 2023/24.
- 4.4 The District Councils have now confirmed their Council Tax surplus/deficits for 2021/22 which has resulted in an overall deficit for this Authority of £425k. As a result, the total deficit to be considered for the 2022/23 budget funding arrangements is £594k
- 4.5 The appropriate precept has now been calculated for each District and is set out in Appendix B, paragraph 1.4, for the Authority's approval.
- 4.6 The Council Tax at Band D for 2022/23 would be £68.03, an increase of £4.99 (7.92%) per annum.

5. **FUNDING OF EXPENDITURE 2022/2023**

The figures from external funding sources are shown in the Table below:

	£000
Core Funding	53,590
Section 31 Grant	3,577
Services Grant (2022/23 only)	2,325
Share of Collection Fund Surplus/(Deficit)	(594)
Council Tax	49,405
Net Revenue Budget	108,303

In addition to external funding, it is estimated that the Authority will generate income of £3.054m (£2.969m in 2021/22) (Appendix D). The 2022/23 budget does not assume the use of any general balances.

6. **GENERAL BALANCES STRATEGY**

- 6.1 Based on the current forecast of net expenditure in 2021/2022, the Authority's General Balances at 1 April 2022 would be approximately £6 million. At this level, the amount of General Balances would equate to approximately 6% of the Authority's 2022/2023 Net Revenue Budget. The actual level of General Balances at 1 April 2022 will not be determined until the completion of the Authority's 2021/22 closedown of accounts process.
- 6.2 As part of considering the Authority's 2022/23 budget, following notification of the core funding settlement, the overall funding does not require the use of General Balances to support the Net Revenue Budget requirement. This would therefore result in the Authority's available General Balances remaining at approximately £6 million by the end of 2022/2023 (6% of the Authority's 2022/2023 Net Revenue Budget).

- 6.3 The funding settlement for 2022/23 is a one year only arrangement. There is no clarity over funding levels, nationally and/or locally, after that date which hampers meaningful financial planning over the longer term.
- 6.4 Additional potential budget pressures, e.g. anticipated increases in firefighter pension employer rates, pay award demands, uncertainty around Government funding from 2023/24 onwards, the likely ongoing impact of COVID on the Services activities and a lack of any direct capital and transformation funding being available, means that the estimated level of General Balances of approximately £6 million by the end of 2022/23 is considered appropriate given the issues highlighted.

7. **CAPITAL PROGRAMME**

- 7.1 At the Authority meeting on 15 February 2021, consideration and approval was given to the current three-year Capital Programme. The Programme has been monitored during the year at Authority meetings.
- 7.2 It is estimated that commitments in respect of those projects which make up the proposed capital programme are as follows:

	£m
2022/2023	5.225
2023/2024	4.876
2024/2025	5.964

The full list of projects is shown on Appendix E. It should be noted that the figures reflected against the Vehicle Replacement Programme are based on the current fleet profile and operational life cycles and it is anticipated that a review of these provisions will be required following the completion of the 'Blended Fleet' workstream within the Community Risk Management Plan objectives.

- 7.3 The Table below compares the expenditure on those projects within the capital programme which are committed against a forecast of projected resources for the period 2022/23 to 2024/2025.

	2022/23 £m	2023/24 £m	2024/25 £m
Capital Receipts	-	1.804	0.945
Capital Grants	-	-	-
Revenue Funding	5.225	3.072	-
Total Capital Resources	5.225	4.876	0.945
<u>Less: Commitments</u>	5.225	4.876	5.964
Funding Surplus/(Deficit)	-	-	(5.019)

- 7.4 At the time of announcing the funding settlement for 2022/23, no specific announcements have been made by the DLUHC in relation to capital funding. The lack of any specific capital funding allocations continues to be an issue for the Fire sector which central Government have been asked to address.
- 7.5 The Authority's capital programme has predominantly been funded by earmarked reserves and this continues to be the case over the period 2022/23 to 2024/25. However, because of the ongoing use of earmarked reserves it needs to be highlighted that at this stage there is a deficit in the capital programme summarised in the above Table, specifically in 2024/25.

8. **TREASURY MANAGEMENT AND THE PRUDENTIAL CODE**

- 8.1 The Fire Authority recognises the importance of Treasury Management to the economy and efficiency of its finances. It also recognises that delivering quality services in this area requires expertise and skills that can best be provided by specialist professions from external organisations.
- 8.2 West Midlands Fire Service's Treasury Management functions are provided by Sandwell MBC who have in turn appointed external advisors to support them. The Fire Authority has also linked its appointment of bankers to that of Sandwell MBC in order to benefit from efficiencies in tendering, cash flow management and investment.

- 8.3 The Treasury Management Strategy for 2022/23 is set out in Appendix F.
- 8.4 Under the Local Government Act 2003, credit approvals were abolished, and a new prudential capital finance system was introduced from 1 April 2004. CIPFA has prepared a Prudential Code which underpins the system of capital finance. Local authorities are required by Regulation to have regard to the Prudential Code under Part 1 of the Local Government Act 2003.
- 8.5 The key objectives of the Prudential Code are to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
- 8.6 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. The indicators are designed to support and record local decision making.
- 8.7 The Prudential Indicators that have been calculated for this Authority are detailed on Appendix G.

9. **PLANNING FOR THE 2023/2024 TO 2024/2025 BUDGET**

- 9.1 In preparing the draft revenue budget for 2022/2023, an expenditure forecast for 2023/2024 to 2024/2025 has also been undertaken by “rolling forward” the 2022/23 draft budget; updating for specific known budget pressures, anticipated inflation and pay awards, adding in commitments, adjusting for anticipated staff turnover levels, setting efficiency targets, etc. (Appendix H).
- 9.2 The funding settlement for 2022/23 is a one year only arrangement and in the Secretary of State for DLUHC settlement announcement there was no indication of further funding levels beyond 2022/23. In planning for the 2023/24 budget, an increase of 1% has been reflected in the overall core funding and a further 1% in 2024/25. It should be noted that this is a very provisional figure and there is the potential for the scale of increases to be greater than this base assumption (or that reductions may apply). Every 1% increase/reduction in core funding represents an impact of circa £0.536m funding for the Authority.

9.3 A summary of the impact of the indicated increases in core funding is shown in the table below:

Estimated position based on the financial settlement for core funding for 2022/23 and an increase of 1% in 2023/24 and 2024/25 (with a Band D Council Tax increase of £4.99 (7.92%) in 2022/23 and 2% in 2023/24 and 2024/25)

	2022/23 £m	2023/24 £m	2024/25 £m
Net Budget Requirement	108.303	107.850	109.568
Core Funding	53.590	54.126	54.667
Section 31 Grant	3.577	3.500	3.500
Services Grant	2.325	-	-
Council Tax	49.405	50.393	51.401
Council Tax Surplus/(Deficit)	(0.594)	(0.169)	-
Available Resources	108.303	107.850	109.568
Budget Surplus/(Deficit)	-	-	-

10. ROBUSTNESS OF THE BUDGET PREPARATION AND ADEQUACY OF RESERVES

10.1 In accordance with the Local Government Act 2003 (S25-S27) and to comply with CIPFA guidance on local authority reserves and balances, the Treasurer is required to formally report to members on the robustness of the budget and the adequacy of reserves.

10.2 The budget presented to the Authority has been prepared using reasonable and appropriate estimation techniques for both expenditure and income. The budget process is such that all financial pressures faced by the Authority have been considered and resources allocated as appropriate to fulfil the priorities of the Authority. Where resources have not been allocated to identified pressures either; the pressure has been absorbed into the existing budget or the risk associated with not meeting the pressure has been evaluated and appropriate action taken. The robustness of the budget preparation undertaken by the Authority is therefore considered satisfactory.

10.3 The appropriate level of reserves and provisions has been assessed and determined using a variety of mechanisms, including:

- The budget setting process, the annual financial cycle and contributions from the strategic leadership of the organisation.
- Considering the budget at various stages of construction including the reasonableness of the key budget assumptions such as estimates of inflationary and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for.
- Review of the movements, trends and availability of contingencies, provisions and earmarked reserves to meet anticipated and unforeseen cost pressures in the context of future pressures and issues.
- The use of professional experience and best professional judgement.
- The use of appropriate professional, technical guidance and local frameworks.
- Knowledge of the Officers involved in the process, particularly finance professionals, including their degree of experience and qualifications.
- Review of the strength of financial management and reporting arrangements including internal control and governance arrangements.

10.4 The Authority's aim is to have a prudent level of General Balances informed by an assessment of potential risks to the organisation. The level of General Balances at the end of the financial year 2020/21 was approximately £6m, 6% of the net budget requirement. This level of balances is considered appropriate at this stage due to the assumptions for core funding in future years, volatility of Council Tax collection rates and the absence of capital and transformation funding available to the Authority.

10.5 It was deemed that a prudent level of earmarked reserves was established during the Authority's 2020/2021 closedown exercise. A review of these reserves will be undertaken as part of the Authority's 2021/2022 closedown of accounts process.

- 10.6 Based on known circumstances and financial risk assessments, it is felt that adequate earmarked reserves and provisions were created to meet legal and expected liabilities, as at 31 March 2021. A list of the reserves and the intended strategy for their use in future years is provided in Appendix J.
- 10.7 Consideration will be given to the appropriate level of reserves required as at 31 March 2022 as part of the Authority's closedown of accounts process.
- 10.8 In recommending an adequate level of reserves, consideration is given to the opportunity costs of maintaining particular levels of reserves and balances and compares these to the benefits accrued from having such reserves. The opportunity cost of maintaining a specific level of reserves is the 'lost' opportunity, for example, of investing elsewhere to generate additional investment income or using the funds to invest in service improvements. In assessing this, it is important to consider that reserves can only be used once and are therefore potentially only 'one-off' sources of funding. Therefore, any use of general reserves is only ever used on one-off items of expenditure and/or to assist transformational change. The level of reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust 'safety net' which adequately protects against potential unbudgeted costs.
- 10.9 The current level of reserves is considered to be sufficient in all but the most unusual and serious combination of possible events. In this context it is considered that the current level of reserves presents an optimum balance between risk management and opportunity cost. This maintains a suitable and sustainable level of reserves, which include ensuring sound governance and financial stability in the short and longer term.
- 10.10 Best endeavours have been made to ensure that the budget and reserves are adequate using the information available at this date. The budget has been constructed with a professional policy led medium term strategic framework using appropriate assumptions, linking investment and spending to key priorities and having undertaken a comprehensive assessment of risk.

10.11 The forecast budget for 2023/24 and 2024/25 shows a balanced budget. As stated earlier, it may be that the scale of funding will vary. In addition, given the number of issues that could have a significant impact on the Authority's budget position over the period of the medium term financial plan i.e.; future Government funding allocations to the Fire Sector, the introduction and impact of the Fair Funding Review, the treatment of firefighter pension related issues, pay award pressures and the indicative deficit in year three of the capital programme, the need for and scale of budget savings required over the period of the medium term financial plan needs to be kept under review. This also needs to be linked to the 3% productivity increase indicated in the collaborative Local Government Association and National Fire Chief's Council's Comprehensive Service Review submitted in the summer of 2021.

11. **EQUALITY AND DIVERSITY IMPLICATIONS**

11.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report will not lead to and/or do not relate to a policy change.

12. **LEGAL IMPLICATIONS**

12.1 The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

BACKGROUND PAPERS

DLUHC/Home Office Communications

District Leaders' Meeting 26 January 2022

Policy Planning Forum 10 January 2022 & 31 January 2022

The Plan 2022–2025

The contact name for this report is Wayne Brown, Deputy Chief Fire Officer, 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SUMMARY OF 2021/2022 AND 2022/2023 BUDGET**

	Original Budget 2021/22	Revised Budget 2021/22	Original Budget 2022/23
	£000s	£000s	£000s
<u>Expenditure</u>			
Employees	93,396	94,935	98,340
Premises	6,048	5,759	5,969
Transport	1,423	1,296	1,535
Supplies & Services	8,129	8,602	9,800
Capital Financing	10,527	10,439	7,921
Appropriations to Reserves	100	100	100
Total Expenditure	119,623	121,131	123,665
<u>Income</u>			
Government Grants	(54,070)	(53,996)	(56,520)
Non-Domestic Rates	(9,846)	(9,846)	(9,846)
Income from Services	(2,969)	(3,034)	(3,054)
Collection Fund (Surplus) / Deficit	272	258	594
Appropriations from Reserves	(7,972)	(9,475)	(5,434)
Total Income	(74,585)	(76,093)	(74,260)
COUNCIL TAX REQUIREMENT	45,038	45,038	49,405
Collection Fund Surplus / (Deficit)	(272)	(258)	(594)
Core Funding (Formula Grant)	43,156	43,156	43,744
Core Funding (NNDR)	9,846	9,846	9,846
Section 31 Grant	3,981	3,982	5,902
NET REVENUE BUDGET	101,749	101,764	108,303

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**BAND D PRECEPT INCREASE OF £4.99 (7.92%)**

- 1.1 THAT it be noted that the constituent District Councils have formally set their Council Tax bases for the year 2022/2023 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992 as follows:

	Tax Base
Birmingham	258,362.00
Coventry	84,264.30
Dudley	93,790.94
Sandwell	74,858.45
Solihull	78,256.00
Walsall	71,803.35
Wolverhampton	64,936.94
	<u>726,271.98</u>

- 1.2 THAT the following amounts be now calculated by the Authority for the year 2022/2023 in accordance with Sections 40 to 48 of the Local Government Finance Act 1992:

- 1.2.1 £123,665,000 being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(2)(a) to (d) of the Act.
- 1.2.2 £74,260,128 being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(3)(a) to (b) of the Act.
- 1.2.3 £49,404,872 being the amount by which the aggregate at 1.2.1 above exceeds the aggregate at 1.2.2 above calculated by the Authority in accordance with Section 42A(4) of the Act as its council tax requirement for the year.
- 1.2.4 £68.03 being the amount at 1.2.3 above divided by the total amount at 1.1 above, calculated by the Authority in accordance with Section 42B(1) of the Act as the basic amount of its Council Tax for the year.

1.3	<u>Valuation Bands</u>	£	£
		(to 6 decimals)	(rounded to 2 decimals)
	A	45.350202	45.35
	B	52.908569	52.91
	C	60.466936	60.47
	D	68.025303	68.03
	E	83.142037	83.14
	F	98.258771	98.26
	G	113.375505	113.38
	H	136.050607	136.05

being the amounts given by multiplying the amount at 1.2.4 above by the number which in the proportion set out in Section 5(1) of the Act is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority in accordance with Section 47(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

1.4 Resultant precepts:

	£
Birmingham City Council	17,575,153
Coventry City Council	5,732,105
Dudley MBC	6,380,157
Sandwell MBC	5,092,269
Solihull MBC	5,323,388
Walsall MBC	4,884,445
Wolverhampton City Council	<u>4,417,355</u>
Total	<u>49,404,872</u>

being the amounts given by multiplying the amount at 1.2.4 above by the appropriate tax base at 1.1 above in accordance with section 48(2) of the Act, as the amount of precept payable by each constituent District Council.

1.5 THAT the precept for each District Council as calculated at 1.4 above be issued in accordance with Section 40 of the Local Government Finance Act 1992.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SUMMARY OF 2021/2022 AND 2022/2023 BUDGET****SERVICE ANALYSIS**

	Original 2021/22 £'000	Revised 2021/22 £'000	Original 2022/23 £'000
<u>Devolved Budgets</u>			
Democratic Rep & Brigade Managers	1,135	1,115	1,126
Portfolio & Organisational Intelligence	1,346	1,565	1,604
Operations North, Preparedness & Response	1,824	2,231	2,166
Operations South & Fire Control	2,466	2,571	2,669
Prevention	2,122	2,045	2,142
Protection	4,724	4,713	4,807
Resourcing	5,888	6,230	5,904
Digital & Data	5,433	5,728	5,530
Policy & Organisational Assurance	714	820	749
Communications & Engagement	701	1,031	767
People Support Services	525	587	616
Employee Relations	197	273	154
Organisational Development	58	59	58
Organisational Learning People Development	4,024	4,520	4,181
Health Safety & Wellbeing	2,610	2,411	2,474
<u>Corporate Budgets</u>			
Operations North, Preparedness & Response	(116)	(159)	(116)
Prevention	24	16	24
Protection	28	11	(31)
Resourcing	16,801	14,622	20,906
Digital & Data	132	232	132
People Support Services	2,317	2,235	2,315
Employee Relations	105	105	130

OFFICIAL

Organisational Learning People Development	100	106	100
Health Safety & Wellbeing	46,992	47,178	48,457
Other Income & Expenditure	1,599	1,519	1,439
NET REVENUE BUDGET	101,749	101,764	108,303

OFFICIAL

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SERVICE INCOME BUDGETS 2021/22 AND 2022/23**

	Original Budget 2021/22	Revised Budget 2021/22	Original Budget 2022/23
	£000s	£000s	£000s
Fees and Charges:			
- Fire Control & Contact Centre	1,059	1,071	1,087
- NFCC	381	381	340
- Training	280	206	288
- Mutual Assistance	161	208	161
- Transport Engineering Workshops	125	125	125
- ICT	112	114	114
- External Contracts	83	100	98
- Child Care Vouchers	87	72	72
- Room Hire	50	10	42
- Other Fees & Charges	187	173	182
Sales	90	82	81
Rents - Property	149	168	150
Interest	100	90	120
Partnerships	97	226	186
Other Income	8	8	8
TOTAL SERVICE INCOME	2,969	3,034	3,054

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**CAPITAL PROGRAMME 2022/2023 TO 2024/2025**

Scheme	Project Year In 2021/22	2022/23 £000s	2023/24 £000s	2024/25 £000s
Vehicle Replacement Programme (VRP)	Ongoing	3,191	4,336	5,570
Drill Tower & Burn Facility Upgrade	2 of 2	624	-	-
Boiler Replacement Programme	Ongoing	15	84	100
Rewires	Ongoing	-	289	117
Windows & Door Replacements	Ongoing	683	167	122
Roof Replacement	Ongoing	680	-	55
Security Works	3 of 4	32	-	-
TOTAL COMMITMENTS		5,225	4,876	5,964
<i>Projected Resources Available:</i>				
Prudential Borrowing		-	-	-
Capital Receipts		-	1,804	945
Capital Grants		-	-	-
Earmarked Reserves/DRF		5,225	3,072	-
TOTAL PROJECTED RESOURCES		5,225	4,876	945
FUNDING SURPLUS/(DEFICIT)		-	-	(5,019)

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**TREASURY MANAGEMENT STRATEGY 2022/23****1.1 Background**

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

CIPFA published the revised Treasury Management Code and Prudential Code on 20th December 2021 which stated that formal adoption is not required until the 2023/24 financial year. The Authority would need to have regard to these codes of practice when the Treasury Management Strategy Statement and Annual Investment Strategy are prepared, as well as any related reports.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that Members of the Authority fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Authority is required to receive and approve the following main reports each year. These reports are required to be adequately scrutinised by the Audit and Risk Committee before being recommended to the Authority.

Prudential and Treasury Indicators and Treasury Strategy – This report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report – This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An Annual Treasury Report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated prudential indicators;
- the MRP policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Authority;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Treasury Management Consultants

The Authority's treasury management function is provided by Sandwell MBC who have appointed Link Group, Treasury solutions as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon Sandwell MBC and the external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, the treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. Sandwell MBC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. Capital Prudential Indicators 2022/23 – 2024/25

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators:

2.1 Capital Expenditure

This prudential Indicator (Appendix E) is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

2.2 The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR, details are provided in Appendix G.

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

2.3 Minimum Revenue Provision Statement

The Authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC Regulations have been issued which require the full Authority to approve an MRP Statement in advance of each year. A variety of options are provided to Authorities, so long as there is a prudent provision. The Authority is recommended to approve the following MRP Statement

For all borrowing the MRP policy will be:

- **Asset Life Method** (Option 3) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over approximately the assets life.

For 2015/16 onwards the proposed MRP policy has been amended to an Annuity basis which results in a reduction to the amount of revenue applied to provide for debt in the period 2015/16 to 2033/34 after which point the revenue applied increases compared to the current MRP approach through to 2054/55. The change does not increase the level of debt but means that the level of capital expenditure financed by borrowing, the Capital Financing Requirement will reduce more slowly in the earlier years as the amount of MRP is lower than the policy in 2014/15. However, the revised policy would ensure that the CFR would be repaid over a period of 40 years. If the current MRP approach continued there would be a balance outstanding of approximately £7m at the end of the 40-year period. It is not proposed to amend retrospectively any MRP recognised in previous years; this policy would apply from 2015/16 onwards.

In addition, the Authority can set aside amounts in excess of the minimum required. Consideration will continue to be given to more closely aligning external debt with the capital financing requirement by making a voluntary MRP contribution and/or using capital receipts. This would reduce the Authority's expenditure commitments in future years.

3. Treasury Management Strategy - Borrowing

The capital expenditure plans provide details of the activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well defined limits. One of these is that the Authority needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
£38m	£37m	£36m	£35m

The Authorised Limit for External Debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authority's plans, or those of a specific Authority, although this power has not yet been exercised.
2. The Authority is asked to approve the following Authorised Limits:

2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
£42m	£40m	£39m	£38m

3.3 Prospects for Interest Rates

The Authority's Treasury Management functions are provided by Sandwell MBC who have appointed Link Asset Services as its treasury advisor and part of their service is to assist with formulating a view on interest rates. The following table and Appendix F1 gives Link Asset Services central view.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Investment and borrowing rates

Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances.

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. Interest rates in financial markets will be monitored alongside other economic indicators.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Authority is asked to approve the following treasury indicators and limits:

	2022/23	2023/24	2024/25
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	160%	160%	160%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2021/22			
	Lower	Upper	
Under 12 months	0%	20%	
12 months to 2 years	0%	20%	
2 years to 5 years	0%	25%	
5 years to 10 years	0%	50%	
10 years and above	0%	90%	
Maturity Structure of variable interest rate borrowing 2022/23			
	Lower	Upper	
Under 12 months	0%	20%	
12 months to 2 years	0%	20%	
2 years to 5 years	0%	25%	
5 years to 10 years	0%	50%	
10 years and above	0%	90%	

3.5 Policy on Borrowing in Advance of Need

The Authority will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Borrowing in advance will be made within the constraints that it will be limited to no more than 20% of the expected increase in borrowing need (CFR) over the three-year planning period. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Audit and Risk Committee through the mid-year or annual reporting mechanism.

3.7 New financial institutions as a source of borrowing and/or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities).
- Financial institutions (primarily insurance companies and pension funds).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

4 Annual Investment Strategy

4.1 Investment Policy

The Authority's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance").
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code").
- CIPFA Treasury Management Guidance Notes 2018.

The Authority's investment priorities will be security first, portfolio liquidity second and then yield (return).

The guidance from DLUHC and CIPFA place a high priority on the management of risk. The Authority will adopt a prudent approach to managing risk and defines its risk appetite by the following means:

Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

Further, the Authority's and Sandwell MBC's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority and Sandwell MBC will engage with its advisors to monitor the market.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Appendix F2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

4.2 Creditworthiness policy

The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

A counterparty list will be maintained in compliance with the following criteria. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Authority may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by the Link Group, treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer term change) are provided to Officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- Banks 1 - good credit quality – the Authority will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+

and have, as a minimum, the following Fitch, Moody's and Standard & Poor's (S&P) credit ratings (where rated):

 - i. short term – F1, P-1, A-1 (Fitch, Moody's and S&P) respectively
 - ii. long term – A, A1 and A (Fitch, Moody's and S&P) respectively
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Building Societies. The Authority will use all Societies which meet the ratings for banks outlined above.
- Money Market Funds – AAA rated
- UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility (DMADF))
- Local Authorities, Parish Authorities, CCLA, etc
- Housing Associations
- Supranational institutions

Use of additional information other than credit ratings

Additional requirements under the Code require the Authority to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Creditworthiness

Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

4.3 Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Authority's investments. In part the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 25% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. The current forecast includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February

Link Asset Services suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Authority is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested > 365 days	£25m	£25m	£25m

4.5 Investment Risk Benchmarking. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

Security - The Authority's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.03% historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Authority seeks to maintain:

- Liquid short-term deposits of at least £20m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.25 years, with a maximum of 1.0 years.

Yield – local measures of yield benchmarks are:

- Investments – internal returns above the 7-day LIBID rate

And in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.03%	0.12%	0.10%	0.08%	0.06%

Note: This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report. At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

APPENDIX F1

Interest Rate Forecast 2021 – 2025

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

APPENDIX F2**TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT**

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Authority's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Authority has adopted the Code and will continue to apply its principles to all investment activity. In accordance with the Code, the Treasurer has produced its Treasury Management Practices (TMPs). This part, TMP1, covering investment counterparty policy requires approval each year.

Annual Investment Strategy – The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Authority will use. These are high security (i.e. high credit rating, although this is defined by the Authority, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish Authority, CCLA or community Authority.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society).

For category 5 this covers bodies with a minimum short-term rating of AA (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Authority has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is as per the "Investment Counter Party and Liquidity Framework".

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	Non-Specified Investment Category	Limit (£ or %)
a	<p>Supranational Bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>30%</p> <p>AAA long term ratings</p>
b	<p>Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	30%
c	<p>The Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	20%
d	<p>Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Authority may use such building societies which were originally considered Eligible Institutions.</p>	20%

e	Any bank or building society that has a minimum long-term credit rating of AA-, for deposits with a maturity of greater than one year	3 years and £30m
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The Monitoring of Investment Counterparties – The credit rating of counterparties will be monitored regularly. The Authority receives credit rating information (changes, rating watches and rating outlooks) from the Link Group as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately, and if required new counterparties which meet the criteria will be added to the list.

APPENDIX G**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****PRUDENTIAL INDICATORS**

1. The actual capital expenditure that was incurred in 2020/21 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

2020/21 £000 Actual	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate
2,304	4,610	5,225	4,876	5,964

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2020/21 are:

2020/21 % Actual	2021/22 % Estimate	2022/23 % Estimate	2023/24 % Estimate	2024/25 % Estimate
2.57	2.63	2.37	2.42	2.43

The estimates of financing costs include current commitments and the proposals in this budget report.

3. All borrowing forecasts contained within this report relate only to supported capital expenditure, which receives Government grant support. Consequently, the incremental impact of any borrowing arising from new capital investment decisions has been reflected within the overall budget projections, although the impact specifically on the level of precept cannot be quantified.
4. Estimates of the end of year capital financing requirement for the Authority for the current and future years and the actual financing requirements at 31 March 2021 are:

31/03/21 £000 Actual	31/03/22 £000 Estimate	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate
35,322	34,327	33,270	32,147	30,951

5. The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, West Midlands Fire & Rescue Authority does not associate borrowing with particular items or types of expenditure. The Authority relies upon Sandwell Metropolitan Borough Council to undertake its treasury management function, which has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Service. West Midlands Fire & Rescue Authority has, at any point in time, a number of cash flows both positive and negative and Sandwell Metropolitan Borough Council manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Authority's underlying need to borrow for a capital purpose.
6. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

"In order to ensure that over the medium-term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Authority had no difficulty meeting this requirement in 2020/21, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

7. In respect of its external debt, it is recommended that the Authority approves the following authorised limits for its total external debt gross of investments for the next three financial years and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary.

2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
43,000	42,000	40,000	39,000	38,000

8. These authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing and with approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.
9. The Authority is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movement, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring.

2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
39,000	38,000	37,000	36,000	35,000

10. The Authority's actual borrowing at 31 March 2021 was £33.7m. It should be noted that actual long-term liabilities are not directly comparable to the authorised limit and operational boundary, since the actual long-term liabilities reflects the position at one point in time.
11. In taking its decisions on this budget report, the Authority is asked to note that the authorised limit determined for 2021/2022 (see paragraph 7 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

APPENDIX H**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****NET EXPENDITURE BUDGET FORECAST 2023/2024 TO 2024/2025**

	Budget 2023/24	Budget 2024/25
Subjective Heading	£000s	£000s
Employees	99,000	100,100
Premises	6,200	6,400
Transport	1,600	1,700
Supplies & Services	8,700	8,700
Capital Financing	7,900	8,000
Income	(10,200)	(10,000)
Appropriations	(5,300)	(5,300)
NET EXPENDITURE	107,900	109,600
Available Funding	107,900	109,600
Surplus/(Deficit)	-	-

Note

Budget forecast for 2023/24 and 2024/25 assume:

- A Council Tax increase of 2% in 2023/24 and 2024/25.
- Inflation assumptions as shown on Appendix H2.
- Continuation of Section 31 government grant to fund employer's firefighter pension contribution increase.

APPENDIX H2**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****INFLATION ASSUMPTIONS**

Pay Awards:		%
- Uniformed Staff		
	July 22	2.0
	July 23	2.0
	July 24	2.0
- Non-Uniformed Staff		
	April 22	2.0
	April 23	2.0
	April 24	2.0
General Prices:		
	April 22	2.0
	April 23	2.0
	April 24	2.0
Pensions Increase Order:		
	April 22	3.1
	April 23	2.0
	April 24	2.0
Residential Rents:		
	April 22	3.8
	April 23	2.0
	April 24	2.0

APPENDIX H3**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****SENSITIVITY ANALYSIS**

The approximate annual impact of a 1% variation in some of the key assumptions underpinning the budget projections is shown below:

Expenditure

Uniformed pay awards	£750k (£560k part year)
Employers Firefighters Pension Contribution	£455k
Interest payable	£313k
Non-uniformed pay award	£160k
General inflation	£86k
Energy costs	£12k
Fuel	£6k

Income

Core Funding	£536k
Council Tax	£494k
Interest receivable	£340k

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SCENARIO ANALYSIS**

In the Secretary of State for DLUHC provisional settlement announcement in December 2021 for 2022/23, there was no indication of further funding levels beyond 2022/23. In planning for 2023/24 onwards, a year-on-year increase of 1% has been assumed in 2022/23 and 2023/24 to the core funding. However, it is recognised that funding may be at a higher or lower level than this. For illustration, the impact of a 2% increase or decrease to the core funding is shown below in the following Tables.

Core Funding Increases/Reductions

Financial Year	£ Core Funding	% Increase/ (Reduction)	£ Increase/ (Reduction)
2015/16	61,943,000		
2016/17	58,665,000	-5.3%	-3,278,000
2017/18	54,703,000	-6.8%	-3,962,000
2018/19	53,030,000	-3.1%	-1,673,000
2019/20	52,048,000	-1.9%	-982,000
2020/21	52,896,000	+1.6%	+848,000
2021/22	53,002,000	+0.2%	+106,000
2022/23	53,590,000	+1.1%	+588,000
2023/24	54,126,000	+1.0%	+536,000
2024/25	54,667,000	+1.0%	+541,000

Core Funding increase of 2% in 2023/24 and 2024/25

Financial Year	£ Core Funding	% Increase/ (Reduction)	£ Increase/ (Reduction)
2022/23	53,590,000		
2023/24	54,662,000	+2.0%	+1,072,000
2024/25	55,755,000	+2.0%	+1,093,000

Core Funding Reduction of 2% in 2023/24 and 2024/25

Financial Year	£ Core Funding	% Increase/ (Reduction)	£ Increase/ (Reduction)
2022/23	53,590,000		
2023/24	52,518,000	-2.0%	-1,072,000
2024/25	51,468,000	-2.0%	-1,050,000

A 1% movement in 2022/23 core funding equates to approximately £536k.

APPENDIX J**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****RESERVES STRATEGY**

	31/03/21 £000s	31/03/22 £000s	31/03/23 £000s	31/03/24 £000s	31/03/25 £000s	31/03/26 £000s
Corporate Funding						
Forecast Capital Program Shortfall	12,339	8,765	2,093	0	0	0
Insurance Reserve	6,805	6,805	6,805	6,805	6,805	6,805
NNDR & Local Tax Income Guarantee	4,857	0	0	0	0	0
Portfolio & Org Intel.						
Project Management/Support	109	0	0	0	0	0
New Risks	41	0	0	0	0	0
Organisational Intel.	37	0	0	0	0	0
Operations North, Preparedness & Response						
Procurement of Operational Equip	2,305	2,235	0	0	0	0
Project Management/Support	482	0	0	0	0	0
CBRN	284	215	150	100	50	0
Command Delivery	188	0	0	0	0	0
Partnerships	40	30	0	0	0	0
UK ISAR	26	0	0	0	0	0
Operations South & Fire Control						
Tech Rescue	175	130	0	0	0	0
Command Delivery	41	8	0	0	0	0
Prevention						
Community Safety	127	0	0	0	0	0
Community Partnerships	69	85	0	0	0	0
Education Materials/Facilities	39	28	0	0	0	0
Protection						
Building Risk Review Programme	968	350	0	0	0	0
Fire Safety	75	75	0	0	0	0
Project Management/Support	70	60	0	0	0	0
Protection Fund Grant	0	100	0	0	0	0
Resourcing						
Property Maintenance	673	679	272	0	0	0
Agile Working	300	0	0	0	0	0
Vehicle Chargers	180	0	0	0	0	0
Pension Admin Grant	124	100	0	0	0	0
Loss of Use Recovery	10	10	0	0	0	0

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Continued..	31/03/21 £000s	31/03/22 £000s	31/03/23 £000s	31/03/24 £000s	31/03/25 £000s	31/03/26 £000s
Digital & Data						
Enterprise Resource Planning (ERP)	1,480	500	0	0	0	0
ESMCP	1,342	1,200	1,100	850	600	100
Other Digital Transformations/Upgrades	551	0	0	0	0	0
Staffing	518	305	0	0	0	0
Incident Reporting System (IRS)/Command	394	350	84	0	0	0
Policy & Organisational Assurance						
COVID-19 Funding	1,336	0	0	0	0	0
SSRI/RIDGE	264	100	0	0	0	0
Project Management/Support	94	0	0	0	0	0
Communications & Engagement						
Comms/Media Events	207	0	0	0	0	0
Community Engagement	55	0	0	0	0	0
Employee Relations						
Safeguarding Arrangements	49	0	0	0	0	0
Project Management/Support	30	0	0	0	0	0
Organisational Learning & People Develop.						
Staff Training & Development	124	0	0	0	0	0
Health, Safety & Wellbeing						
Health, Safety & Wellbeing	109	51	0	0	0	0
Total Earmarked Reserves	36,917	22,181	10,504	7,755	7,455	6,905
General Reserve	5,838	5,838	5,838	5,838	5,838	5,838
% Net Revenue Budget	5.8%	5.7%	5.4%	5.4%	5.3%	5.2%
Total Reserves	42,755	28,019	16,342	13,593	13,293	12,743

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